

**PHILIP MORRIS USA****INTER-OFFICE CORRESPONDENCE**

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TO: T. Garguilo  
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DATE: September 27, 1993

FROM: Marketing Information &amp; Analysis/Barbara S.G. Weinstein

SUBJECT: Basic Volume in Prestige C-Stores

McLane C-Store data indicates a softening of Basic volume in the Prestige 400 store chain in Region 5.

The following Industry dynamics have taken place recently to impact Basic's sales.

The inventory count on August 6 allowed Prestige to bring their cigarette inventory more in line with consumer takeaway by:

- reducing inventory from 7.5 weeks to 4 weeks on a Total Industry basis.
- reduce the number of SKU's carried from 329 to 180.

GPC has been sold into the chain since June.

- B&W is offering 40¢/carton for all product sold into the chain.
- B&W will pay Prestige an additional 13¢/pack (\$1.30/carton) for pricing GPC at any price point below Basic at retail.
- Basic and GPC are now at identical retail prices in the chain, only because Prestige is a Retail Masters account, and the account is willing to work with the P.M. account manager on pricing.

RJR has presented Monarch to the chain with BIG1F and per carton incentives. This may be an offer customized to the account.

As a result, Basic shipments to Prestige have decreased from approximately 17,000 ctn/week to 9,500 ctn/wk a -33% decline for the most current four weeks ending 9/17/93 vs. four weeks ago. In comparison, GPC has decreased -22%.

- Marlboro shipments are -3% below the prior 4 week period, while Total Industry volume is -6% less than the previous 4 week period.

Additional BIG1F product or a buy-down program to counter any additional Deep Discount threat would help Basic's situation, according to the Senior account manager

ATT.

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